

Message Text

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45

ACTION EUR-12

INFO OCT-01 ISO-00 SP-02 AID-05 EB-07 NSC-05 CIEP-01

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FM AMEMBASSY PRAGUE

TO SECSTATE WASHDC 8642

INFO USDOC WASHDC

AMEMBASSY BERLIN

AMEMBASSY BUCHAREST

AMEMBASSY BUDAPEST

AMEMBASSY MOSCOW

AMEMBASSY SOFIA

AMEMBASSY VIENNA

AMEMBASSY WARSAW

USNATO BRUSSELS 752

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VIENNA FOR USEWTC

E.O. 11652: N/A

TAGS: EALR, ECON, CZ

SUBJECT: PLAN RESULTS -- FIRST HALF 1975

REFS: A. PRAGUE A-52

B. PRAGUE 2014

1. REPORT OF FEDERAL STATISTICAL OFFICE (FSO) COVERING DEVELOPMENT OF

CZECHOSLOVAK ECONOMY DURING FIRST SIX MONTHS OF 1975 CARRIED IN PRESS

ON JULY 31, IN ACCORDANCE WITH DEPARTMENT'S INSTRUCTIONS, EMBASSY IS

SUBMITTING ITS VIEWS ON FSO REPORT BY AIRGRAM, BUT SINCE ECONOMIC

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PROBLEMS ARE OF INCREASING IMPORTANCE TO CZECH GOVERNMENT SOME COM-

MENTS ON HIGHLIGHTS OF ECONOMY'S PERFORMANCE IN 1975 ARE SUBMITTED IN THIS CABLE.

2. FOREIGN TRADE: CONTINUING ADVERSE TREND WHICH DEVELOPED LAST YEAR, IMPORTS FROM ALL COUNTRIES GREW FASTER THAN XPORTS FROM JANUARY THROUGH JUNE, WITH FORMER RISING 14.5 PERCENT AND LATTER BY ONLY 11.5 PERCENT OVER SAME PERIOD OF 1974. CZECHOSLOVAKIA

EXPORTS TO CEMA PARTNERS ROSE FASTER THAN AVERAGE, OR BY 17.8 PERCENT. AT SAME TIME, IMPORTS FROM CEMA COUNTRIES GREW BY 22.6 PERCENT AND FROM CAPITALIST COUNTIES ONLY 5.6 PERCENT OVER FIRST HALF OF LAST YEAR. (COMMENT: FSO REPORT DID NOT SPECIFY TRADE RESULTS BY INDIVIDUAL COUNTRIES, BUT LATEST MONTHLY STATISTICAL SUMMARY PUBLISHED BY GOVERNMENT REVEALED THAT TRADE WITH U.S. OVER FIRST THREE MONTHS OF 1975 DECLINED AS FOLLOWS: IMPORTS -- DOWN 17 PERCENT AT \$47.6 MILLION; EXPORTS --DOWN THREE PERCENT AT \$10.4 MILLION. THESE FIGURES REFLECT CHILLING EFFECT ON OUR BILATERAL TRADE WHICH LONG-GRAVEL AMENDMENT TO TRADE ACT OF 1974 AND DECLINING MARKET FOR TRADITIONAL CZECH EXPORTS TO U.S. CAUSED BY RECESSION HAVE HAD.)

3. PRICES AND CONSUMER: REPORT NOTED THAT ALTHOUGH OUTPUT OF CONSUMER GOODS ROSE BY 7.5 PERCENT, RETAIL TURNOVER DECELERATED SUBSTANTIALLY IN COMPARISON WITH FIRST HALF OF 1974. RETAIL PRICES REPORTEDLY REMAINED STABLE DURING PERIOD WHILE WAGES CLIMBED MORE RAPIDLY THAN PLANNED (BY 4.0 PERCENT) AND PERSONAL DEPOSITS IN SAVINGS BANKS CONTINUED TO MOUNT. (COMMENT: THIS CON-STELLATION OF OUTPUT,WAGE, PRICE AND SAVINGS TRENDS SUGGESTS THAT CONSUMER ECONOMY REMAINS CAUGHT IN FAMILIAR CIRCLE OF MORE MONEY CHASING FEWER, OR, AT LEAST UNWANTED, GOODS WITH RESULT THAT INFLATIONARY PRESSURE CONTINUED TO BUILD UP IN FORM OF HIGHER SAVINGS. THUS, MARGINAL UTILITY OF MONEY APPEARS TO BE FALLING AND CZECHOSLOVAK CONSUMER, DESPITE REASONABLY STABLE PRICES, IS FINDING HIS WANTS HARDER TO SATISFY NOTWITHSTANDING GOVERNMENT'S OFT-STATED COMMITMENT TO BETTER HIS LOT.)

4. ENERGY: REPORT STATES THAT OUTPUT OF BROWN COAL AND ELECTRICITY ROSE IN COMPARISON WITH SAME PERIODIN 1974, BY 3.9 PERCENT AND 7.9 PERCENT, RESPECTIVELY. NO MENTION WAS MADE, HOWEVER, OF 1,400 MEGAWATTS OF ELECTRICAL GENERATING CAPACITY WHICH IS TO BE LIMITED OFFICIAL USE

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BROUGHT ON STREAM IN 1975, USGGESTING THAT THIS GOAL -- WHICH REPRESENTS 40 PERCENT OF NEW CAPACITY FOR FYP PERIOD -- MAY NOT BE ACHIEVED. (COMMENT: BEYOND THESE FRAGMENTARY STATISTICS. REPORT WAS CHARACTERISTICALLY MUTE ON SUBJECT OF NATION'S OVERALL ENERGY BALANCE. NO MENTION AT ALL OF PRICES CZECHS ARE CURRENTLY PAYING FOR SOVIET CRUDE OIL OR PRESENT LEVEL OF SHIPMENTS, LEAVING US SOMEWHAT IN DARK AS TO SPECIFICS OF THIS TRADE AND ITS PORTENTS FOR FUTURE. THERE HAVE BEEN INDICATIONS -- SEE REFTELL B-- THAT

SOVIETS WILL CONTINUE TO INCREASE OIL SHIPMENTS TO CZECHOSLOVAKIA
AT LEAST THROUGH 1980, BUT WE DO NOT HAVE ANY INFORMATION AS YET
ON AMOUNTS INVOLVED.)
PERRY

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